

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-10 IO-13 ISO-00 AID-05 CEA-01 CIAE-00
COME-00 EB-08 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02
STR-04 TRSE-00 LAB-04 SIL-01 OMB-01 DODE-00 PM-04
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INFO ALL EC CAPTIALS 3163
AMEMBASSY AMMAN
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AMEMBASSY CAIRO
AMEMBASSY DAMASCUS
AMEMBASSY TEL AVIV
USMISSION GENEVA
USMISSION OECD PARIS

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E.O. 11652: N/A
TAGS: XF LE EAID ETRD EEC
SUBJECT: EC AND LEBANON CONCLUDE NEGOTIATIONS FOR COOPERATION
AGREEMENT

REF: (A) EC BRUSSELS 750, (B) 76 EC BRUSSELS A-436

1. SUMMARY: THE EC COMMISSION AND LEBANON INTIALED A
COOPERATION AGREEMENT IN BRUSSELS ON FEBRUARY 16. LEBANESE
OFFICIALS ASKED FOR EC RECONSTRUCTION AID, WHICH THE MARCH 8
FOREIGN MINISTERS COUNCIL WILL LIKELY DISCUSS. COMMISSION
OFFICIALS DO NOT EXPECT THE EC TO GRANT ANY ADDITIONAL AID
TO LEBANON, OTHER THAN PERHAPS POSSIBLE EUROPEAN INVESTMENT
BANK LOANS. MEMBER STATES MAY, HOWEVER, ASSIST LEBANON,
IF ARAB COUNTRIES AGREE TO PRVIDE THE BULK OF
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RECONSTRUCTION ASSITANCE. END SUMMARY.

2. THE EC AND LEBANON INITIALLED A COOPERATION AGREE-
MENT ON FEBRUARY 16 IN BRUSSELS. THE MISSION REPORTED
THE SUBSTANCE OF THIS AGREEMENT IN REFTELS. IT PROVIDES
FOR ECONOMIC, TECHNICAL AND FINANCIAL COPERATTION,
INCLUDING 30 MILLION UNITS OF ACCOUNT OF FINANCIAL

ASSISTANCE WHICH IS TO BE COMMITTED BY OCTOBER 31, 1981. THE AGREEMENT ALSO INCLUDES TRADE ARRANGEMENTS AND PROVIDES PREFERENTIAL DUTIES ON A NUMBER OF COMMODITIES. COMMISSION OFFICIALS EXPECT THE AGREEMENT TO BE SIGNED IN BRUSSELS AT EITHER THE MARCH 8 OR THE APRIL 4 FOREIGN MINISTERS COUNCIL. THE MISSION WILL SEND FULL TEXT OF TIANL AGREEMENT WHEN IT IS AVAILABLE.

3. COMMISSION OFFICIALS SAY THAT NO MAJOR PROBLEMS AROSE DURING THE EC/LEBANON NEGOTIATIONS. LEBANESE AMBASSADOR LABAKI INDICATED THAT LEBANON WOULD NOT BE ABLE TO EXPORT EITHER INDUSTRIAL OR AGRICULTURAL GOODS TO THE EC IN THE NEXT SEVERAL YEARS. CURRENTLY, 89 PERCENT OF LEBANON'S INDUSTRY IS OUT OF PRODUCTION AND ITS AGRICULTURAL PRODUCTION IS SHARPLY REDUCED BECAUSE OF SHORTAGES OF SEEDS, FERTILIZERS AND MACHINERY. NEVERTHELESS, COMMISSION OFFICIALS SAY THAT THEY OFFERED LEBANON UNUSUALLY HIGH TEMPORARY CEILINGS ON ITS IMPORTS OF WOVEN COTTON MATERIALS OF 200 MT AND PHOSPHATE FERTILIZERS OF 15,000 MT. THESE CEILINGS ARE CONSIDERABLY HIGHER THAN THE AVERAGE LEBANESE SHIPMENTS OF THESE PRODUCTS DURING THE 1973-75 PERIOD. THE EC HAS OFFERED THESE HIGHER CEILINGS PRIMARILY AS A POLITICAL GESTURE BECAUSE LEBANON IS NOT EXPECTED TO BE ABLE TO USE THEM.

4. LEBANON ASKED THE COMMUNITY FOR RECONSTRUCTION AID; THE COMMISSION AGREED TO TRANSMIT THIS REQUEST TO THE LIMITED OFFICIAL USE

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MARCH 8 EC FOREIGN MINISTERS COUNCIL. THE GOL ESTIMATES THAT THE TOTAL COST OF REPAIRING PUBLIC FACILITIES AMOUNTS TO ABOUT 1.3 BILLION LEBANESE POUNDS. (THE MISSION HAS A COPY OF THIS ESTIMATE WHICH IT IS SENDING TO STATE/EUR/RPE - MCLEAN AND AMEMBASSY BEIRUT.) COMMISSION OFFICIALS DO NOT BELIEVE THE COMMUNITY WILL PROVIDE MAJOR ADDITIONAL AID TO LEBANON, BUT SEVERAL MEMBER STATES MAY PARTICIPATE IN A RECONSTRUCTION FUND. THE EC MAY ATTEMPT TO COORDINATE THESE BILATERAL PROGRAMS. IT WILL ALSO INSIST THAT ARAB COUNTRIES PROVIDE THE BULK OF ANY RECONSTRUCTION AID FOR LEBANON.

5. COMMISSION OFFICIALS ADD THAT THE GOL HAS NOT SPECIFIED THE AMOUNT OF AID THAT IT WOULD LIKE TO RECEIVE FROM THE COMMUNITY. THE GOL INFORMALLY SUGGESTED THAT THE EUROPEAN INVESTMENT BANK MIGHT PROVIDE 200 TO 300 MILLION UNITS OF ACCOUNT OF LOANS TO LEBANON. THE INTEREST RATE ON THESE LOANS COULD BE SUBSIDIZED. COMMISSION OFFICIALS, AT THIS TIME, HAVE NO IDEA

WHETHER THE COUNCIL WOULD AGREE TO EIB LOANS TO
LEBANON. THEY BELIEVE, HOWEVER, THAT THE AMOUNT
REQUESTED WOULD BE TOO LARGE FOR THE EIB TO HANDLE.MORRIS

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